



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 10.3

Meeting Date: May 21, 2020

Subject: May Revise Budget Update and District's Fiscal Recovery Plan

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: _____)
- Conference/Action
- Action
- Public Hearing

Division: Business Services

Recommendation: Receive information on the Governor's May Revise Budget Proposal for Fiscal Year 2020-2021 and District's Fiscal Recovery Plan.

Background/Rationale: The Governor's May Revise Budget was released on May 14, 2020 which includes budget information for K-12 districts. The District will use this information to update the 2020-21 budget projections and Fiscal Recovery Plan.

Financial Considerations: N/A

LCAP Goal(s): Family and Community Empowerment; Operational Excellence

Documents Attached:



On October 3, 2019 the Sacramento City Unified School District's ("District") Board approved the 2019-20 revised adopted budget which was disapproved by the Sacramento County Office of Education (SCOE) due to the projected negative ending fund balance in 2021-22. The District's Board voted to waive the formation of the Budget Review Committee which was approved by the Board and the District must prepare and submit options for budget savings in order to achieve fiscal solvency.

At the February 6, 2020 Board Meeting, the board approved the 1st Interim Fiscal Recovery Plan which included potential negotiable solutions listed in the following table. It is important to note that the amounts listed were based on estimates provided in the fall of 2019 and will need to be updated. Updated Plan items to be provided ahead of the May 21, 2020 board meeting.

Cap district payment at lowest-cost plan for employee-only plans and 75 percent for plus 1 and family plans. <i>Source: Keenan Calculation</i>	28,516,699
	3,300,000
Employees Contribution 2% - (does not reduce employers contribution but addresses the OPEB liability)	

The



the cost of health benefits and other labor costs.

The following table provides some of the recommendations included in the 2019 State Audit Report.

Cut to all salaries by 2%	\$6,854,000
<i>Source: State Auditor Report 12/10/19</i>	
	\$9,997,000
<i>assumes contribution would reduce GF cost</i>	
	\$20,419,000

Over the last 18 months, the District has identified and implemented more than \$30 million in on-going, non-negotiable budget reductions. The District identified additional non-negotiable items for budget reduction considerations but further review revealed that any possible budget savings would be inconsistent with the District’s budget balancing priorities and could also result in unintended financial consequences. SCOE supported the District’s conclusion that eliminating those programs would negatively impact students and, therefore, were no longer considered to be part of the budget balancing plan.

The District’s prior reductions also included positions at the District office, administrator level and staffing adjustments consistent with declining student enrollment numbers. The District’s projected enrollment is showing declines of approximately 227 students in 2020-2021 and 190 in 2021-22. Staffing adjustments will be implemented as needed but these adjustments are not expected to be as significant as in prior years.

As of the 2019-20 Second Interim Financial report, the District was in need of a \$27 million on-going solution that could not be resolved without negotiated solutions. However, the district’s projected budget deficit has been exacerbated due to the impact the COVID-19 pandemic has had on the State’s economy which will result in severe funding reductions for K12 districts. If corrective action is not taken, the District’s risk for fiscal insolvency will be accelerated and may face having to receive a State loan.

Fiscal Recovery Plan Update
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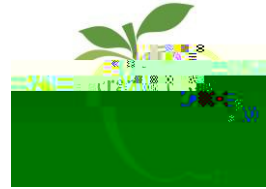




determine if additional savings may be achieved. This review will be presented at the May 21, 2020 Board Meeting. However, identifying further savings from non-negotiable items is extremely limited or may adversely affect student achievement. The District's on-going fiscal solution will not be resolved without negotiated solutions.

- Education Code section 42127 requires the Governing Board of each school district to adopt a budget on or before July 1st. The budget to be adopted shall be prepared in accordance with Education Code section 42126. The adopted budget shall be submitted to the County Office of Education. The County Office of Education will determine if the district will be able to meet its financial obligations during the fiscal year and the subsequent two years. The County Office of Education will either approve, disapprove, or conditionally approve the district's budget.
- Education Code section 42130 requires the Superintendent to submit two reports to the Board of Education during each fiscal year. The first report shall cover the

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The Fiscal Recovery Plan update presented at the May 21, 2020 Board Meeting identifies potential savings to achieve budget reductions and avoid a State take over.

- Follow the approved calendar with adjustments made as necessary.
- Update District Budget Timeline
- Continue to monitor the state budget and its impact on the district finances.
- Continue to engage stakeholders in the budget development process through community budget meetings.
- Work to complete negotiations with bargaining unit partners.
- Ensure compliance with all LCFF and LCAP requirements.